

Sales and Marketing

MANAGEMENT

Fighting buyer resistance in the PC market



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BUSINESS DINING AWARDS

HOW TO PAY NATIONAL ACCOUNT MANAGERS



Established 1918

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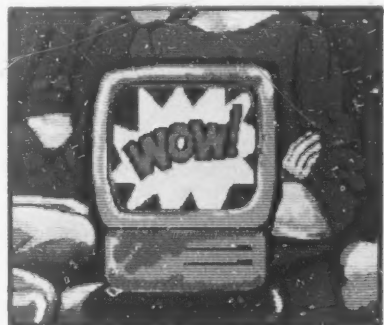
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Computer art for cover by Lauretta Jones



Cover:

Like the auto industry before it, the personal computer industry is having a hard time getting over the slump created by massive buyer hesitation. In order to rekindle the flames, marketers look to service and support for help. Page 42.

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ABP

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ABC

NMA



Tapping the keg in New Jersey

New Jersey has been called "The Cleveland of States," which is not one of your more flattering slogans as slogans go. Comedians have long mined the industrial swamps of the Garden (Garden?) State for an almost endless supply of material, and even the people who live there are said to make jokes about their homeland. We'd list a few of them here, but we don't associate with people from New Jersey (just kidding, Governor Kean). Anyway, no one really knows how long New Jersey has been the subject of these kinds of jabs, but at least as far back as Benjamin Franklin's time, New Jersey has been a notorious name to drop. Franklin once observed that New Jersey was like "a beer barrel tapped at both ends," making reference to the drain on the state's population and resources by the two cities that border it: New York in the north and Philadelphia in the south.

Franklin's quote is just as true today as it was 200 years ago, especially since these cities have, if anything, grown more prominent over the years, pulling even more on the ends of New Jersey. But New Jersey enjoys one distinction that no other state can lay claim to, and it is precisely because of its neighbors that this is so. New Jersey is the only state in the U.S. that is made up entirely of metropolitan counties. In other words, New Jersey is, according to the Census Bureau, the Commerce Department, the Office of Management and Budget, and S&MM's *Survey of Buying Power*, one giant metro area.

Aside from its own eight metros, which consume 16 of its 21 counties, New Jersey counties are part of three other out-of-state metro areas. The Philadelphia metro area contains the New Jersey counties of Burlington, Camden, and Gloucester; the Allentown-Bethlehem, PA, metro includes Warren County, NJ, and the Wilmington, DE, metro area lays claim to south Jersey's Salem County. This is not to say that shopping malls and factories have covered the state like a plague of locusts,

but even in the relatively countrified areas like Sussex County and the seasonal resort towns in Cape May, Monmouth, and Ocean Counties, the degree of urbanization is such that the metropolitan designation still holds true.

Recently, New Jersey began a campaign to attract hi-tech and other "clean" industries to the Garden State, in a move designed to rid itself of the image of a polluted wasteland. And as the property values in New York City and Philadelphia continue their upward spiral, New Jersey has become more attractive to those looking to escape the high-priced confines of the city.

Some other lesser-known facts about New Jersey may surprise those who tend to think of it as nothing more than a subject of many a Johnny Carson monologue:

- Of the top 25 most affluent markets projected for 1989, five New Jersey metros—Bergen-Passaic, Middlesex-Somerset-Hunterdon, Newark, Monmouth-Ocean, and Trenton—make the ranks, the most of any single state.
- Newark, a metro that has had a long history of population losses, is still the nineteenth-largest metro in the U.S., with Bergen-Passaic and Monmouth-Ocean holding down the 34th and 49th spots, respectively.
- Newark also ranks as the twelfth-largest metro in terms of black population, making it a very vital market for those looking to reach this particular segment.
- Young professionals, population ages 35 to 49, push three of New Jersey's metros into the top 50—Newark, Bergen-Passaic, and Middlesex-Somerset-Hunterdon—with the Monmouth-Ocean metro charted at No. 52 out of 316 metros nationwide.
- In terms of Hispanic population, Jersey City (22nd), Newark (23rd), and Bergen-Passaic (32nd) make New Jersey a key focal point for marketers targeting this fast-growing group.
- The ranking of metros showing households with Effective Buying Incomes (EBI) in excess of \$50,000 contains four New Jersey metros in the top 50 alone. They are: Newark (11th), Bergen-Passaic (18th), Middlesex-Somerset-Hunterdon (27th), and Monmouth-Ocean (31st).
- Finally, in terms of median household Effective Buying Income, a total of five New Jersey metros show up in the top 25, again, more than in any other single state. Compared with a U.S. median of \$25,496, Middlesex-Somerset-Hunterdon's \$38,100, Bergen-Passaic's \$36,140, Newark's \$33,741, Trenton's \$32,444, and Monmouth-Ocean's \$32,393 place them in a very respectable light in terms of available buying power. Take that Cleveland!

By Richard Kern,
Editorial Director, S&MM Surveys

As seen by the Survey

New Jersey metros: 5 in the top 25

Metro	1984 Median Household Effective Buying Income	U.S. Rank
Atlantic City	\$23,791	208
Bergen-Passaic	36,140	7
Jersey City	23,436	218
Middlesex-Somerset-Hunterdon	38,100	4
Monmouth-Ocean	32,393	22
Newark	33,741	12
Trenton	32,444	21
Vineland-Millville-Bridgeton	25,496	181
U.S. Median	\$25,496	

Source: Sales and Marketing Management's 1985 Survey of Buying Power.
Sales and Marketing Management.

been a bad product, I'd probably be out of a job, because the quickest way to kill a bad product is to promote it heavily. But we were working with a good product, so it worked!"

SOFTWARE MARKETING

Setting sights on 1-2-3

The PC industry is littered with corpses of Davids who failed to topple Goliath. The latest would-be giant-killer is Javelin Software, Cambridge, MA, who hopes its \$695 Javelin business analysis and reporting software will chop down the 60% share of the \$520-\$590 million spreadsheet market held by Lotus Development's 1-2-3.

Despite Lotus's dominance, Javelin marketing vice president Richard Bonzagni claims, "our focus groups revealed a lot of frustration among spreadsheet users. And where there's frustration, there's opportunity."

To tap that opportunity, Bonzagni will rely exclusively on computer dealers (with 500 targeted outlets) who have outside sales forces calling on corporate accounts. They will be supplemented by cadres of



Javelin's Bonzagni: Software's new-est David meets his Goliath.

Javelin executives who will put on product demos at Fortune 1000 companies but will not take orders.

Relying exclusively on dealers can be a high-risk strategy, especially since Bonzagni has no significant advertising plans. As Robert M. Lefkowitz, director of software research at InfoCorp, Cupertino, CA, points out, "Dealers sell what corporations ask for, and even those with outside sales forces don't pioneer. It will be difficult for Javelin to motivate dealers to knock on doors and sell Javelin."

Bonzagni thinks the motivation will come from a "key city" sales strategy. Rather than rely on co-op advertising, he will ask dealers "to prepare a proposal built around what works best for them—seminars, in-store demos, direct mail—and we'll work with them on it."

He will also rely heavily on word-of-mouth, which he contends "more than anything else made 1-2-3 a success. That's the key marketing ingredient in this business today."

Maybe so, but Lotus did not face

MARKET HIGHLIGHT

Consumers fault services

If we are heading for a services society, consumers are not too happy about it. That is one implication of a Conference Board survey of 6,000 families who were asked to rate the value they received in purchasing 38 major products and services. Nine of the 10 items with the highest "poor" ratings are in the service sector. The top 10 rated "good" and "poor" by the percentage of all families.

What consumers like . . .

Product	% Good
Poultry	53.6%
Fruits, vegetables	42.7
Meat	35.5
Fish	33.9
Prescription drugs	33.8
Appliances	30.2
Personal-care items	29.6
Pet food	29.1
Electricity	27.8
Shoes	27.6

. . . and dislike the most

Product	% Poor
Hospital charges	58.4%
Lawyers' fees	49.1
Movies at theatres	47.0
Credit card charges	45.5
Bank service charges	42.3
Cable TV	41.1
Health insurance	40.6
Doctors' fees	36.4
U.S. postage	36.3
Used cars	35.6

Source: Conference Board's Consumer Research Center, Sales and Marketing Management

such firmly entrenched competition. President James Coggeshall, Software Access International, Mountain View, CA, says, "Their problem here is one of mind-share, not product superiority. Most of the companies they'll go to will already have large Lotus installations."

CHANGING MARKETS

Miami Beach targets young professionals

"The younger generation is coming, and it's great," says Dorothy Rich of the Miami Beach Chamber of Commerce (COC). Miami Beach, which has attracted mostly retirees since World War II, has begun to actively court a younger crowd.

Boc Baker, executive director of the Miami Beach COC, says that

JANUARY 13, 1986



Fighting buyer resistance in the PC market

Now that the honeymoon has ended for the PC industry, marketers are hoping that increased service and support will rekindle their romance with the first-time buyer.

By RICHARD KERN
Senior Editor

Five years ago, just about any market analyst you talked to had only one word to say: computers. Industry gurus spoke glowingly of "a computer in every home by the turn of the century." Manufacturers held aloft Census Bureau estimates for the year 2000 that showed approximately 100 million U.S. households—a huge potential market for PCs that didn't even include projected sales to businesses that could double, or even triple, total unit sales. For a myriad of hardware manufacturers, the future looked too good to be true.

Five years down the road, it turns out they were right—it was too good to be true.

The Osbornes and Timex-Sincars now sit gathering dust in someone's broom closet, victims of unplanned obsolescence, and a growing number of companies are reporting some staggering deficits. Apple's \$17 million and Commodore's \$80 million quarterly losses head the list of some of the more noteworthy red-ink entries. The revolution has stalled, and the major marketers are desperately scrambling to pull themselves out of the present slump. Many companies, unable to generate the necessary

follow-up business, have already called it quits.

What happened? Why is an industry with so much potential failing to reach its targeted market? The answers are many, but most of it can be chalked up to a lack of foresight. A look back into the annals of marketing history offers a story with some interesting parallels and, hopefully, a few lessons.

At the beginning of the twentieth-century, the fledgling automobile industry was having trouble. The first wave of self-proclaimed mechanics and tinkers had already purchased their new "horseless carriage," and the manufacturers proclaimed that the automobile was here to stay. The only problem was, the people out there in everyday America were still getting along just fine with wagons and buggies.

It was not until the industry developed a solid infrastructure of service stations, mechanics, parts stores, and other amenities, that the proper support system made owning an automobile a more desirable experience. Much the same could be said about the current state of the personal computer industry. Buyer hesitation, the big problem that plagued the first automakers, now haunts the manufacturers and sellers of PCs. And until an industry standard—a "Model T" of the comput-

er world—is established, these kinds of problems will undoubtedly continue.

Tony Wolff, who operates a Santa Rosa, CA, consulting company called ConsumerVision, has been examining the personal computer industry from the inside out to try and find a solution to this problem. ConsumerVision marketers conducted focus groups with potential buyers, manufacturers, and retailers, and the results have been quite sobering. What it boils down to, says Wolff, is a battle between two different variables: the selling process vs. the educational process.

"Computer salespeople feel that they're in a situation analogous to a car salesman having to explain what a car is and teach the buyer how to drive before he can make the sale," says Wolff. "At the same time, they're being told to move the merchandise, which makes them less likely to spend time answering questions from someone off the street. Unfortunately, they [the dealers] tend to see the first-time buyer as something of a nuisance. In fact, in one of our focus groups with dealers, we even heard customers referred to as 'stupid,' as knowing 'nothing about nothing.' It's really a tough situation."

Wolff points out, however, that it is not really all the fault of the

dealers. The manufacturers, he says, are often just as much to blame for alienating the customer.

"In the beginning, manufacturers presumed that they were in a retail business where they were selling, say, a refrigerator that you simply plugged into the wall and turned on. Educating the user wasn't a part of their marketing plan. A few years ago, when we started ConsumerVision, the manufacturers and software dealers were saying that all computers were going to be distributed through discount houses, ComputerLand-type outlets, or Macy's. They thought computers were just another household appliance. As far as service and training were concerned, they were saying, 'Don't talk to consultants; they're going to disappear because nobody's going to pay their prices.' Of course, what has happened is that those consultants have found a real niche for themselves as value added resellers [VARs]. Now the manufacturers are falling all over themselves trying to pay attention to them."

Alan Oppenheimer, director of retail marketing for Data General's Desktop Div., says that while he agrees with some of Wolff's conclusions, most manufacturers always assumed things would get tougher once the first wave of buying had passed.

"Even back in 1982 we were all saying 'Hey, eventually we're going to get a more typical majority of potential users, and that's going to require some new approaches.' The things we were talking about then are the same things we're talking about now, the only difference is that now we have to implement

them, whereas a couple of years ago we could just talk about the future."

The one thing that most everyone connected with the industry agrees on is that the biggest problem at this point is that of reaching first-time buyers. What is at the root of their apparent hesitation to purchase? After all, the first wave of buyers made it look so easy. They were the people who were truly interested in the process of computing, the actual learning experience. For them, spending 40 hours learning what the machine could do wasn't an inconvenience. Their natural curiosity drew them to the PC and made them devour the technology as fast as it was introduced. The manufacturers, at least at the beginning, couldn't conceive of a public that didn't share their own fascination with computers. This at least partially explains how they lost sight of the need to educate the average man in the street, to somehow spark that same kind of interest that the first wave of buyers possessed.

"Since the computers were made by people that enjoyed computers, and sold by people that enjoyed computers," says Wolff, "they just didn't think there was a group out there who wouldn't embrace that learning process. Also, I think that because they were initially so successful, they didn't pay attention. I

mean, for two years we were doing thousands of these types of interviews, and we kept hearing people say 'well, I'm just not sure,' and all the quantitative numbers were coming out and the industry people were saying, 'Everybody's going to have a computer in their toilet next year.' Now, I think that the industry is finally getting a little better at recognizing the level of experience—and the level of inexperience—of the person off the street."

The arguments one hears voiced most often concerning buyer hesitation are those of price and capability. Oppenheimer says he can understand the wariness on the part of the first-time purchaser, but he also thinks that too much is being made of this one particular concern.

"At any point in time," he says, "one could make a logical case that if you waited six months, you could either get the same capability for less money, or more capabilities for the same money. That's been the trend throughout the whole history of computers, and I think that's going to continue."

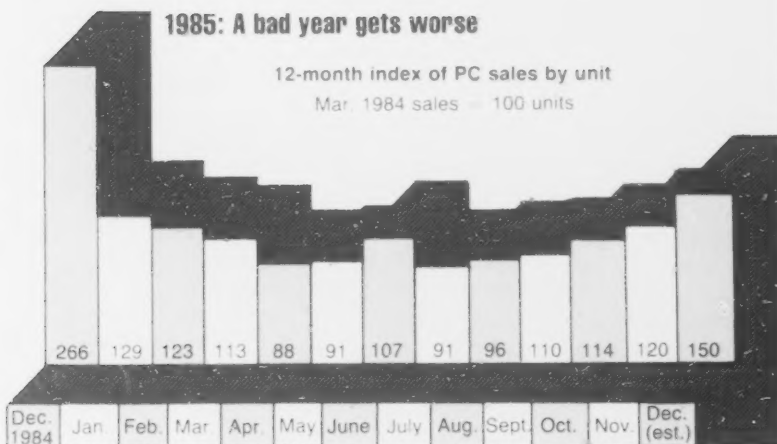
Oppenheimer feels that the real problem to be tackled is one of customer and dealer support. At all points in the selling hierarchy, he says, proper training is the key.

"Certainly I believe there is confusion and hesitancy," he says,

1985: A bad year gets worse

12-month index of PC sales by unit

Mar. 1984 sales = 100 units



Note: Unit sales are shown in relation to Mar. 1984 sales, which are designated with the index number of 100.
Source: InfoCorp's Retail Channel Tracking Service
Sales and Marketing Management

"but I think that it is our responsibility to address these problems by providing excellent training to the dealers, merchandising tools to the vendors and the vendor's salespeople, and to communicate in the customer's language, not our own jargon."

To that end, Data General, along with the rest of the big names in the industry, is placing a greater emphasis on service and support. Fred Roeben, administrative advertising manager for Tandy, Fort Worth, TX, says that because of its vertical distribution, Tandy has been able to develop an extensive network of service and support, which it has lately been stressing in its advertising—one of the few companies doing so at this time.

The eighth product

"We highlight it because—aside from the fact that it's real—we feel it gives us a marketing advantage," he says. "We have more than 430 computer centers nationwide, training and support centers in 60 major markets, and a staff of 500 support specialists to answer people's questions. We feel that the assurance that a quality service and support organization is there is a very positive factor in people's decision to purchase."

Roeben sums up Tandy's philosophy concerning this very important marketing angle thusly: "If a company makes seven products, I think you would have to regard service and support as the eighth product."

The closeness with which most companies portray service and support, says Tony Wolff, can sometimes lead them astray when trying to get that point across to the prospective purchaser. Wolff says that service and support, according to his findings, carry two very different meanings for prospective buyers. Of the two, support seems to be more important in the minds of first-time purchasers who are looking for honesty from the manufacturers, not claims of bigger and better machinery. In fact, many of the respondents from the ConsumerVision focus groups consider the main difference between service and support to be the difference between

TANDY... Clearly Superior™
WE INVITE YOU TO COMPARE...



Customer Support	Clearly Superior
On-Site Customer Support	Free of Charge
On-Campus Customer Training	\$30/hour
Business Maintenance	\$40/hour
Personal Computer Technology	Free of Charge
24-Hour Computer Support	Free of Charge
24-Hour Computer Support	Free of Charge

THE BIGGEST DIFFERENCES BETWEEN OUR TANDY 1000 HD AND THE IBM PC XT ARE OUR LOWER PRICES AND SUPERIOR SUPPORT.

COMPARE OUR SERVICE

COMPARE OUR SUPPORT

Radio Shack COMPUTER CENTERS

Tandy's ad campaign stresses support and training, not capabilities.

machines and people. "I need service, but I want support," was a sentiment shared by many prospective purchasers, who also referred to support as an "attitude" and a "relationship," something that the manufacturers, says Wolff, would do well to take note of.

"The difference between service and support," he says, "can be described best by some of the imagery used by the people in the focus groups. Service is seen by these people as hard, cold, mechanical, and grey, whereas support was described as warm and caring—an emotional connection."

Wolff also feels that the general air of mistrust that currently surrounds computers can be dealt with through very basic and positive actions on the part of both dealers and manufacturers, but that the manufacturers must make the first move.

"There's no one person to point a finger at," he says. "It's just the dynamics of the business. I think the manufacturers have got to take a pro-active role, because when I buy a computer—even though I buy it from a retailer—I'm buying a brand name machine and I expect it to work. If there's a problem, I can get on the retailer's case, but, ultimately, he has to go to the manufacturer, because that's where his recourse lies. And I think that the opportunity is there for the manufacturers to turn this thing around, to show the customer that they're on his side."

Oppenheimer thinks that ConsumerVision has correctly described to-

day's problems, but also thinks that increased cooperation on the part of vendors and dealers can solve these problems in a very straightforward manner.

"What we've had to do is become more vertical in our marketing. We realize that we have to have solutions that are just right for salespeople, just right for insurance agents. We can't just put out the same solution and expect everybody to benefit from it. I also think that there are other things that we have to do differently."

"If a dealer has grown up in this business by simply running a few newspaper ads and radio spots expecting to be successful, he's going to find out tomorrow—or maybe he found out in 1984—that that approach just isn't going to work. If we're talking about selling serious solutions to the business market, we have to have the kinds of skills that are required. To me, this means more outside selling, it means the right people and the right training, and it means doing things like direct mail campaigns and seminar selling. At this point, we've got to be the trainer, and the dealer has to be the implementer."

Conservative climate

Wolff echoes Oppenheimer's sentiments on this, but he also thinks that the manufacturers have got to reassess their position in the overall scope of the market. And in the current conservative atmosphere, he says, it may not be as easy as making a simple change in marketing strategy.

"As you know," says Wolff, "advertising is the first thing to be cut back in this kind of climate, so it's not going to be easy to get the word out. At this point, you still see the hardware manufacturers not admitting that they don't have a complete product. And they don't have a complete product. They've got a part; they've got a box. But the only way to change people's attitudes is for the manufacturers to get in bed with the software people, get in bed with the trainers, the educators, the dealers—they've got to make a concerted effort to help the industry sell the whole product." □

How to pay national account managers

A National Account Marketing Assn. survey plus actual case histories show that a simple 20% raise doesn't transform a field rep into an NAM.

By GARY TUBRIDY
Vice President
The Alexander Group

A manufacturer of computer systems identified a shift in buying authority in its large multi-location customers. Individual locations or divisions, which had made their own purchase decisions on technical products, were given over to corporate purchasing agents in many or all computer equipment acquisitions. Reaching corporate buyers required a more sophisticated sales approach, incorporating company-wide application planning, volume pricing, and service contracts.

To build relationships with the new buying authority and identify company-wide sales opportunities, the computer company assigned senior level sales representatives to National Account Manager (NAM) positions. Special national account sales strategies and programs were developed for use by NAMs, and they were given open access to corporate marketing resources and policy-level executives. Specific national accounts were identified and complete responsibility for sales volume and associated sales credit was transferred to the NAMs. The newly designated NAMs were, as promised, raised one grade in the company pay scale. In addition, the company kept the NAMs active in the volume-based bonus program it applied to field salespeople. The ingredients for success appeared to be in place. But after one year, the computer company's national account program is floundering.

While a variety of reasons might be identified, a major weakness of this company's national account

program is a compensation plan that neither accurately reflects the responsibilities of the NAM job nor pays for performance. Specifically, this company failed to follow three basic rules in NAM compensation:

- Always pay the NAM position significantly more than top field sales positions to attract and retain the talent required to perform the job. In the case above, one pay grade was simply not enough.
- Base incentive payouts on performance measures in addition to simple territory sales volume, which by itself does not accurately reflect NAM performance. Ensure that additional measures account for the long-term as well as the short-term results expected from national accounts.
- Develop a separate and distinct compensation plan to incorporate exceptional NAM performance measures. Ensure, however, that this plan is properly linked with the field sales plan and pays field reps for sales in which they play important roles. In the case above, which is based on actual circumstances, the plan is neither separate nor properly linked to the field organization. As a result, friction between NAMs and field sales is the norm; cooperation is a rare exception.

National account selling is becoming an integral part of the sales organization of the 1980s, and much attention is being focussed on how compensation can be used to attract, retain, motivate, and give direction to the individuals in this critical job. This increased focus led The Alexander Group, a New York City sales consultant, to survey the specific compensation and measurement practices of the member companies of the National Account Marketing Assn. (NAMA). The survey gives an overview of how NAMs are compensated at more than 100 companies in the U.S. today.

National account managers earn total compensation dollars at least equivalent to second-level sales supervisors in most organizations, the survey shows. And, as a NAM's sales responsibility exceeds \$50 million, his total compensation usually far exceeds these levels. (See table below.)

Large total compensation packages including high salaries (an average 85% of total income) are required to attract and retain individuals with the talent and skills needed to manage large and sophisticated accounts. Survey results indicate that, on average, an

What NAMs earn

Individual 1985 Sales Volume (\$Mil) Range	1985 Salary Through October*	Projected 1985 Salary Full Year	Percent Change 1984-1985	
			Salary	Salary Plus Incentives
Below 25	\$47,100	\$57,000	8.0%	13.4%
25-49.9	55,600	62,900	9.7	12.1
50-99.9	68,500	73,900	11.0	12.5
100 and Above	81,200	93,200	1.6	2.8

*Survey questionnaires were not mailed until mid-October, 1985. Therefore, salaries in first column reflect amount earned to that date, and figures in the second column show projected earnings for the full year.
Source: "1985 NAMA Survey of National Account Manager Compensation and Measurement" as conducted by The Alexander Group, Inc.

NAM manages four to six accounts, representing more than \$40 million in sales, and that all NAMs in a company account for more than 25% of total sales. Some 75% of NAMs responding to the survey said that corporate executives were their primary or secondary account contacts, so NAMs must be skilled in selling at executive levels as well as in purchasing departments. Further, because sales cycles at the national account level frequently last six months, the successful NAM must also have the ability to manage sales resources and activities as well as build customer commitment over time.

Risky plans

Seventy-five percent of the survey respondents paid their NAMs an incentive. By contrast, fewer than 70% of respondents to a similar survey conducted by NAMA in 1983 used incentives. Also, respondents paid an average of 22% of base salary in incentives in 1985, while the average incentive payment in the 1983 survey was less than 17% of base salary. While 20% of base salary may not seem risky in some field sales plans, the dollar amounts involved are large given the high NAM salary levels. In fact, 20% of the weighted average salary of \$65,000 yields a sizable \$13,000 incentive opportunity. However, as a percent of salary, NAM bonuses do not often exceed 30%. A high fixed portion of total income must be maintained to reflect the importance of building strong account relationships and preserving the business base.

Measures of NAM performance will differ significantly from the simple territory sales volume measures used in field sales for two reasons. First, sales volume alone is not a complete performance indicator in a job where success depends on skilled management of lengthy sales cycles and nurturing of account relationships. Therefore, NAM performance is most effectively judged through a combination of both quantitative and qualitative measures. Survey results indicate that qualitative, or subjective, measures are used in more than 90% of

NAM incentive plans. In 50% of these plans, qualitative measures are of *equal or greater* weight than quantitative measures. Such qualitative measures of performance are most frequently developed on the basis of specific account objectives. Objectives frequently cited in the survey included development of individual account plans, effective execution of those account plans, development and maintenance of quality account relationships, and control and coordination of the field sales team in selling and servicing the account.

Second, in a sales environment where failure in one account alone can cost millions, territory sales results are far less critical than *individual account* results. Therefore, individual account goals as well as territory goals must be emphasized. Significant success at one account should not be allowed to offset failure at another; the measurement system must emphasize the importance of individual accounts. Effective NAM measurement systems will therefore track quantitative indicators of sales performance at the account level. Frequently cited performance measures tracked at both account and territory levels include incremental sales volume, relative share of sales, product mix, and gross margin.

Consistent with multiple qualitative and quantitative measures of performance, well-designed NAM compensation plans need to incorporate two or more incentive payout schedules to recognize results against the different performance measures. Survey results indicated that more than 90% of the responding companies base their NAM incentive payments on at least two measures. Survey results also indicate that between 25% and 75% of incentive pay opportunity for NAMs can be earned on the basis of sales volume results. This portion of the incentive is most often a bonus paid on the basis of sales volume relative to an assigned quota. Quotas and associated bonus payout schedules will frequently be developed for both total sales volume and sales volume at individual accounts. For purposes of bonus

payments, NAMs are often ineligible for payments of any sort until a set number of their accounts (five or six, for example) reach their assigned sales quota. Bonuses, rather than commissions, are used to recognize the importance of both sales maintenance and sales growth.

The balance of the incentive opportunity is allocated to qualitative measures of sales performance. This portion of the incentive is always paid out in the form of a bonus. The most effective qualitative bonus systems pay out on the basis of performance against predefined account objectives. Such objectives can be weighted equally, or in order of importance. They do not generally exceed two or three per account. This portion of the incentive can be an important management tool to focus NAM activities where they are most needed.

Credit splitting

Effective NAM incentive compensation plans must also motivate and reward NAM cooperation and coordination with field sales. The most successful plans accomplish this in one of two ways. One approach is to "split" sales credit and bonuses between NAMs and field sales so that each will gain by working together to build and close sales. This split may be decided through management judgment, or through a predefined formula. In order to minimize administration and possible inequities, some companies automatically duplicate sales credit between NAMs and field sales where joint efforts are required. Surprisingly, less than one-third of the companies surveyed used credit splitting to help coordinate NAM and field sales reps. Not surprisingly, three quarters of respondents indicated an immediate need for better tools and techniques to manage and work with field sales in national account selling efforts.

In situations where qualitative bonuses are used and sales credit is not directly assigned to NAMs, a second incentive approach can be used. In this approach, a specific NAM objective to manage the sales team can be developed. The extent and effectiveness of NAM coordi-

nation with field sales can be tracked on a sales project basis by field management. Assessment of NAM performance against this objective would then be used in determining the bonus payout.

The following case histories, based on actual events, illustrate the importance of the NAM compensation plan to the success of the national account sales program.

CASE 1

The situation

Consider the case described in the opening of this article, in which a leading computer manufacturer took NAM compensation for granted by not offering a sufficiently large salary differential to this special position, carrying over the field sales bonus program without major modification, and giving the field no incentive at all to work with NAMs.

As a result, this program never really got off the ground. The small salary differential between the NAM and field sales jobs was not enough to recruit the kind of talent needed to do the job. The most qualified candidates preferred to stay within the field organization and await promotion to management. Those who were attracted by the NAM compensation package lacked the account management skills necessary for successfully selling national accounts. Further, friction with the field, caused by the elimination of national account sales credit, resulted in poor sales coordination and decreased penetration at several critical accounts.

The solution

This company needs a compensation plan that will:

- Attract NAMs with better account management skills
- Direct and encourage account management behavior
- Encourage the field sales organization to support national account sales efforts.

A more significant increase in base pay for NAM positions yielding at least a 40% to 50% premium over field sales jobs would help attract the right talent. The NAM

bonus program should also be differentiated from the field sales bonus plan. To provide greater job clarity, specific account objectives should be identified and 25%-50% of the bonus payment should be based on the extent of their achievement. Finally, duplicate or partial credit for national account sales should be provided to field sales to reward and encourage participation in and support of NAM sales efforts.

Compare the previous case to this one, where incentives were used as an effective management tool in launching a successful national account program.

CASE 2

The situation

A large health and beauty aids manufacturer, noting the trend toward consolidation in the retail industry, formed a national account organization to sell and service headquarter locations of large retail chain accounts. Six positions were established to manage nearly 40% of the existing sales volume. These positions were assigned a job grade equivalent to second-line sales managers. Targeted compensation levels were therefore, 40%-50% higher than senior sales positions. In addition, the NAM bonus program was separated and differentiated from the field sales plan. NAMs were offered significantly more (30%) bonus opportunity than the senior sales rep position. Further, 40% of the bonus was paid on the basis of account objectives. These objectives were clearly identified at the beginning of each year and reviewed quarterly. Finally, field sales continued to receive credit for sales at national accounts. Duplicate credit of 50%-100% was awarded to the field, depending on the account and the field role in closing and servicing the sale.

The difference

After two years, this national accounts program is viewed as a major success. The high relative total compensation opportunity was sufficient to attract individuals qualified to manage large national cus-

tomers and complicated sales programs. Further, the bonus program was capable of rewarding specific account objectives such as penetration, product mix, and major competitive win-backs. Lastly, continued field participation in national accounts sales credit resulted in a close working relationship between NAMs and field reps and improved penetration of accounts on a national basis. National account sales volume continues to grow and the NAM job has evolved into a prestigious and sought-after position in this company. While no compensation plan can take complete credit for a successful sales program, this plan had a notable positive impact by providing management the tools to attract talented individuals and reward performance.

Conclusion

In the final analysis, it is clear that effective NAM compensation plans are neither overrides nor extensions of field sales plans. Rather, effective plans are customized to reflect both strategic sales objectives at large accounts and the special nature of national account selling. Survey respondents, however, indicate that such plans are the exception, not the rule. When asked which elements of their overall national account program were most in need of change, more than half of the survey respondents identified two specific categories: performance measurement systems and compensation plans. Considering the importance of these two elements in preserving and growing business at accounts that can singularly affect the company bottom line, this response is disturbing. It may be time for top sales managers to re-examine NAM compensation plans to ensure that they are tools, not roadblocks, to effective selling at these critically important accounts. 

Gary Tubridy is the New York City managing principal of The Alexander Group, a sales and marketing consultant that lists Burroughs, Coca-Cola USA, and Federal Express among its clients. He also spent four years as a large account marketing rep for IBM.

nations, and can try out different assumptions."

Karash sees AI being used as "an expert support system which leverages talented staff people, rather than seeking to replace them."

Marketers who use PCs form a club

Unable to get help from her company's electronic data processing department on marketing applications, market researcher Gayle Kaplan did what the computer fraternity loves to do: She formed a user's group. Market research manager at Deltak, a Naperville, IL, computer training firm, Kaplan recently organized the

PC Users Group for Marketing Professionals.

"I use PCs a lot," she recalls, "and once I learned the basics of spreadsheet and database management software, I looked for marketing applications to run with them. Because my needs were very specific, data processing professionals could not offer much help. Knowing the computer industry is filled with user groups, I decided to form one for marketing people where we could exchange experiences and help each other on common problems."

Of the 30-odd founding members, two-thirds are from the Chicago area, the rest from such faraway locales as New York, New Jersey, and California. The group holds monthly meetings and last month published the first issue of what will be a monthly newsletter. Subjects to be covered at future meetings include graphics, statistical software, database management, and net-

working of PCs to each other and to mainframes. Dues are \$10 a year.

Readers interested in joining the group or starting groups in their own areas, can contact Kaplan at Deltak, 1751 W. Diehl Rd., Naperville, IL 60566; 312-369-3000.

PC prospects modestly upbeat for 1986

The unsure outlook for PC sales is mirrored in the spread in gains forecast for the industry by the leading computer research firms, which were polled by S&MM last month. Overall, a consensus 15.4% increase in unit shipments to the U.S. market is predicted for 1986, a

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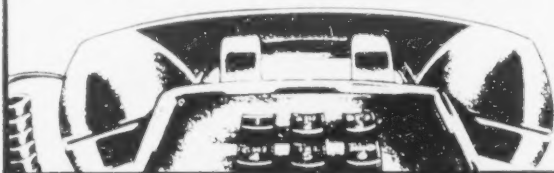
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As the total PC market recovers . . .

Research Firm	Units Shipped (Mil.)		% Gain
	1986	1985	
Future Computing	9.2	7.3	+26.0%
Dataquest	8.2	7.6	7.9
InfoCorp	7.3	6.0	21.7
International Data Corp.	7.0	6.4	9.4
Software Access	6.2	5.7	8.8
Yankee Group	6.2	5.2	19.2
Averages	7.35	6.37	15.4

. . . business sales will outpace . . .

Research Firm	Units Shipped (Mil.)		% Gain
	1986	1985	
Future Computing	4.4	3.4	+29.4%
Input	4.0	3.4	17.6
International Data Corp.	3.6	3.0	20.0
Software Access	2.6	2.3	13.0
Averages	3.65	3.03	20.5

. . . the lagging home market

Research Firm	Units Shipped (Mil.)		% Gain
	1986	1985	
Future Computing	3.9	3.2	+21.9%
Link Resources	3.9	3.3	+18.2
Software Access	3.6	3.4	+5.9
International Data Corp.	2.5	2.7	-7.4
Averages	3.48	3.15	+10.5

Note: Each firm has its own criteria for the PC market; some, for example, do not include hand-helds, others do.
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healthy turnaround from last year's 3% decline. However, while three firms look for runups in the 19%-26% range (see table) a second trio expect gains in a more conservative 7.9%-9.4% range.

Business market gains will significantly outpace the home market, spurred by new products, but a cloudy capital investment picture poses a big question mark. Dollar volume will rise to \$20.9 billion, 17.4% more than last year.

BYTES

• PC Dossiers, the software program for managing information about people, has been enhanced with merge functions that enable users to combine it with popular word processing and spreadsheet programs, says, president Kathryn Kesler, Champaign Systems, Oak Park, IL. Called version 1.1, it costs \$245.

• A version of its Sales Activity Manager turnkey system has been configured for AT&T's 3B1 PC series by Brock Control Systems, Atlanta. Combining voice/data terminals, a multi-user computer, and Unix-based software, the program can be used by companies with as few as four salespeople, says president Richard Brock, adding that costs average \$3,500 per workstation. 

SALES PROMOTION

By ROBERT J. PETISI

Holidays make for red-letter promotions

Everyone likes holidays. They represent a day off from the rigors of work and, more often than not, are the occasion for a party or celebration. For marketers, holiday-themed promotions are premium events that enhance a product's positioning and image in the minds of the buying public. More important, they provide a platform that moves merchandise!

That is because Americans stock up on grocery products during holiday periods, which generally fall into two categories. First, there are the traditional ones, such as Christmas, Memorial Day, the Fourth of July, and Labor Day. Then we have special festivities that have grown up around such sporting events as the Super Bowl, World Series, Kentucky Derby, and Indianapolis 500.

Harking to the adage, "Throw out your line when the fish are biting," marketers design holiday promotional activities for the following reasons:

- High consumer purchase and usage patterns during a holiday
- Heavy trade allowances by manufacturers during a holiday sell-in encourage the trade to feature

price deals and build end-aisle displays

- Trade acceptance of in-store displays supports secondary selling and impulse buying
- Heavy competitive advertising and promotion stimulates the consumer's attention to an offer.
- During a holiday period, Americans get together for family parties. Because of this, they stock up on food and beverages. Planned purchases are usually augmented by impulse items that are on sale or are in a feature display position. This buying pattern usually leads to over-purchase by the consumer and swift sales for the trade and manufacturer.

• Heavy holiday consumption stimulates sales promotion activity in the trade. Sell-in by manufacturers is supported by a trade allowance that normally facilitates a sale event, end-aisle product positioning, and feature point-of-sale display

• Feature displays, especially end-aisle, are a must today for high volume in-store sales. Impulse buying is enhanced even further by specially priced merchandise. The trade deal, the feature display, and

A SALES MANAGER'S QUIZ.

In which area would you like to see your salespeople improve their productivity?

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- ☐ C: Programming
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